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FINANCIAL MANAGEMENT AT
MARINE CORPS AIR STATIONS

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TABLE OF CONTENTS

INTRODUCTION.....	Page 1
CHAPTER	
I. PLANNING AND BUDGETING.....	5
II. ADMINISTRATIVE CONTROL OF FUNDS.....	21
III. ACCOUNTING.....	33
IV. REPORTING AND AUDITING.....	44
V. SUMMARY.....	54
BIBLIOGRAPHY.....	57

INTRODUCTION

This report is a general study of the financial management function at a Marine Corps Air Station. The Marine Corps Air Station, like the Naval Air Station, is primarily concerned with the financial management of those funds allocated by various Navy bureaus to the station for operations and maintenance, and for support of the Aircraft, Fleet Marine Force, units which may be assigned there. However, unlike the Naval Air Station, the Marine Corps Air Station has an additional task of managing certain funds allocated to it by the Marine Corps on a unilateral basis. The management of both the Navy and Marine Corps funds is presently being carried on by various departments within the station organization coordinated through the G-4 section of a General Staff. As of July 1, 1956, however, this function will be shifted to a newly established comptroller organization.¹

In order to provide an understanding of the comptroller concept as it will exist in the Marine Air Station for financial management, a brief outline of the events which brought about its establishment is pertinent.

¹Commandant of the Marine Corps, Marine Corps Order 5450.2, "Establishment of Comptroller Organization at Certain Marine Corps Field Activities" (Washington, D.C.: Department of the Navy, March, 1956).

The Title IV Amendment to the National Security Act of 1947, passed by Congress on August 10, 1949, first established the comptrollership concept within the Department of Defense. Within the over-all policy and framework of this amendment, the Department of Defense has established a program designed to improve the business operation of the department by the use of modern financial management techniques. In the Department of the Navy, this program has become the responsibility of the Navy comptrollers due to the fact that that office has been delegated authority to supervise the preparation, review, and execution of the Navy Department budget. In compliance with the Act, the Secretary of the Navy issued guidance for the establishment of comptroller organizations in bureau headquarters, offices, and field activities of the Navy and Marine Corps.¹ This instruction outlined the basic functions of comptrollership which should be performed by and for every bureau, office, and field activity whose operation was of a size and complexity to warrant it. These functions included budgeting, accounting, program analysis, progress reporting, and financial management. Recommendations as to organization, staffing, and suggested comptroller relationships within organizations were also included.

During the period this instruction was under

¹Secretary of the Navy, Instruction 5400.4, "Establishment of Comptroller organizations in Bureaus, Headquarters, Offices, and Field Activities of the Navy and Marine Corps" (Washington, D.C.: Department of the Navy, November, 1953).

preparation the Commandant of the Marine Corps requested and received authority to implement the provisions of this directive over a period of time so that Marine Corps personnel could be adequately indoctrinated in the comptrollership concept. It was anticipated that this educational training period would require about three years. During this period it was contemplated that there would be a consolidation in the field activities of the many fiscal functions into a fully integrated comptroller organization.

Following the instructions issued by the Secretary of the Navy, the Commandant transmitted his interpretation of the requirements necessary to carry out the objectives of the comptrollership function as authorized by the Secretary of the Navy.¹ It is noted that the Commandant gave no specific instructions to centralize all the comptroller functions into one office at that time. With guidance received in the Commandant's letter, field activities organized staff sections to perform the comptrollership functions as they saw fit. The policy of general guidance in lieu of specific instruction developed a wide variance in organization structures and areas developed where improvements could be made to eliminate organizational deficiencies. The establishing of a formal

¹Commandant of the Marine Corps, Letter A644-SD, "Establishment of Comptroller" (Washington, D.C.: Department of the Navy, December, 1953).

comptroller organization with the centralization of comptroller functions within that unit will achieve this aim for the field activities. The over-all introductory program of financial management within the Marine Corps has been satisfactory and should improve with the full implementation of the program contemplated by the Secretary of the Navy.

In describing financial management activities at a Marine Corps Air Station, this paper will cover several specific areas. The planning and programming necessary to financial management operations will be examined. Space will be given to a description of the budgeting function; and management concern with accounting, reporting, and auditing will be investigated.

CHAPTER I

PLANNING AND BUDGETING

Financial management, as defined by a Navy comptroller, is:

"the process by which work programs, including the related phases of program planning and coordination, are translated into financial terms, analyzed, evaluated, and reflected in the form of budget estimates; the necessary funds justified and obtained from the granting authority and allotted or distributed to the proper units; adequate measures maintained for accountability and expenditure control and for assuring at all times that the funds utilized for the execution of the authorized programs of work are being expended in the most effective and economical manner possible, and that the results are analyzed, measured, evaluated, and reported upon in comparison with authorized plans or objectives. Responsibility for effective financial management is part and parcel of over-all operating management responsibility."¹

The importance of planning and programming in the financial management cycle cannot be over-emphasized.

Marine Corps Air Station commanders receive their broad programming data from the Chief of Naval Operations with the concurrence of the Commandant of the Marine Corps. This prescribes the mission of the station and gives general guidance for future operations of the Aircraft, Fleet Marine

¹A. B. Chettle, "Financial Management, Naval Aviation," Paper read before the Marine Corps Aviation Training Conference, Quantico, Virginia, September 21, 1955.

Force, units based thereon. Within the scope of this general guidance are included such items as total number of operating aircraft and pilot hours required to accomplish a desired level of combat readiness. From this data, the station commander is able to interpret aircraft flying hours and project this intelligence into the various station operating areas which will be affected in reaching the over-all station objective.

The major items which require consideration in the programming and planning phase are the civilian and military manpower requirements, materiel needs, and capital facilities and equipment improvements.

The first item, the civilian manpower requirement, is the most important from the dollar cost aspect. This requirement is determined by the local command on the basis of past experience and use of workload data.

All common type materials which are classified as common to other major commands and listed under the Navy Stock Fund (NSA) are handled in a manner similar to the civilian manpower requirements. However, the technical aeronautical material (APA) needs are handled centrally by the Bureau of Aeronautics for the entire Naval and Marine Corps Aeronautical organizations. In contrast to the common type materials, the technical material is issued to the air station without any charge to its funds, and therefore

requires no planning on the part of individual stations.

Complements of marines for station duty are established by the Commandant of the Marine Corps after considering the recommendations of the station commander, cognizant military commanders, Chief of the Bureau of Aeronautics, and the Chief of Naval Operations. Capital facilities and equipment are also included in plans developed by the station commander after consultation with higher authorities in the chain of command.

In order to establish the over-all plan and programs for the station, it is essential that the station commander rely on past experience and historical records as well as the guidance he receives from higher authority.

When the station plans and programs have been definitely established they are distributed to the operating activities where they become guides for more detailed planning by operating personnel. These guidelines are disseminated more than two years in advance of the budget as it is presented to Congress and are expanded and amplified into functional plans which are based around the general organizational structure of the air station. At this point, the station plan is converted into a financial plan with a dollar sign attached--the station budget.

Based on the station plan, the annual budget estimates prepared by the air station are classified into five major

categories:

1. Operating program for the routine day-to-day business.
2. Industrial shop equipment and plant improvements program.
3. General station collateral equipment program.
4. Major repairs and minor construction projects.
5. Major construction projects.

There are other special miscellaneous programs, such as those for automotive equipment, electronic equipment, Marine Corps peculiar projects, etc. However, the latter are usually minor in dollar amounts.

Budgeting for the annual routine day-to-day operation programs is accomplished by decentralization of authority and responsibility to departments or functional areas of operation and to Aircraft, Fleet Marine Force, units which operate from the station. Each department head prepares and submits his budget estimate for the period. These estimates are based on broad program planning factors, such as number of fleet units to be supported by the station, number of aircraft to be overhauled by the overhaul and repair department, and the amount of flight operations anticipated in station plans. These estimates are tempered by past cost records of comparable work load data and individual experience. Each of these budgets is submitted for consolidation into a proposed over-all station master budget covering the

day-to-day maintenance and operating program. When a designated budget officer has completed the consolidation of the departmental estimates into the proposed over-all station master budget, which action is referred to as the budget officer's "mark-up," the recommendations along with the individual department estimates are sent to a budget committee. During a budget committee hearing the department heads are required to justify their budget estimates. When the committee reaches a final estimate for the over-all station operating budget it is sent to the commanding officer for review and approval. Upon approval by the commander, the budget is returned to the budget officer for preparation into the "smooth" or final station master budget. The finished budget is broken down into quarterly requirements, and is submitted to the Bureau of Aeronautics. The commander may be called to justify his budget estimates before the Chief of the Bureau of Aeronautics periodically.

The air station budget consists of a number of individual estimates submitted during each fiscal year. These estimates are usually prepared on standardized forms or formats prescribed by the activity exercising management or financial control over the specific allotment area. These formats list the programs or projects according to priority. Each project listed on the format will have a description sheet containing all the pertinent information necessary for

justification at higher levels. The air station budget, then, is not a comprehensive document covering all phases of the station's financial requirements for submission to higher authority on one specific date.

The process of budgeting for the industrial shop equipment and plant improvements required is an example of this fragmented budget system.¹ This estimate is submitted on a form referred to as the NAVAER 2520. It is divided into two major parts. Part I lists items of plant equipment, such as lathes, generators, etc., required for normal operations and Part II lists all such items required for specific plant expansion or improvement projects of a major nature. Items in both Parts I and II are listed in the desired priority. The presentation includes the following information:

"a. Initial and replacement requirements for general purpose plant account shop and test equipment, including acquisition and installation cost. . . .

b. Repairs to general purpose shop and test equipment in excess of \$5,000., including the cost for rework and reinstallation as well as NSA, APA, locally procured material and civilian and military labor incident thereto. . . .

c. Initial installation of equipment on hand, including equipment procured with Allotment C funds, BuAer furnished equipment and naval stock items. . . ."²

Large items are listed individually when cost exceeds \$200., whereas installations of lesser cost are grouped

¹Chief, Bureau of Aeronautics, Instruction 11010.4A, "Plant Equipment and Plant Improvement; Budgeting and Funding, Procedure for" (Washington, D. C.: Department of the Navy, January, 1956).

²Ibid., p. 3.

together under the above headings, listing the individual items involved with individual installation cost for each in the justification column. The Instruction further indicates that:

"It is necessary that all budgeted shop and test equipment be identified by appropriate aviation supply office or general stores supply office stock numbers where applicable, with complete nomenclature. The furnishing of the stock numbers is important as this information is used in coordinating the procurement of these items with the appropriate supply officer. It is also important that all commercial items not carried by the Navy supply system be fully described and identified."¹

In justifying new items of shop equipment, it is necessary to identify existing equipment and justify the necessity for replacement. Justifying new items not carried in the Navy supply system requires a statement that there is no suitable substitute listed in Navy supply system catalogs. The new or initial items of shop equipment must be justified as to intended use, type of work-load, percentage of utilization per work-load, percentage of utilization per work-week and building and shop location. Savings in man hours or increased production per man hour and other economies resulting from the procurement of equipment is also required.

Part II of the Budgetary Form 2520 covers plant improvement projects of a major nature involving rearrangement, expansion and establishment of shop and test facilities

¹Ibid., p. 4.

costing in excess of \$1,000. or less are appropriately charged to operating allotments and need not be listed.

As in Part I, all projects must be identified by a brief description of the work to be accomplished. It is required that justification should outline the need and the results to be accomplished by the project. Such things as work load requirements, safety and economical features, are factors to be presented in justification.

In addition to the request for plant improvement on the Budgetary 2520, a formal letter request for projects listed in the Funding 2520 is also required prior to obtaining funds. This procedure is essentially the same and covers the same area as the budgetary estimate made on the NAVAER 2520 one year previously.

Another station budget fragment is that for station collateral equipment. It is developed by the individual department heads and is coordinated and consolidated by the budget officer into an over-all station plan to be submitted by the Commanding Officer to the Bureau of Aeronautics, via cognizant military operational commands for further coordination, review and comment.

This budget estimate is prepared on BuAer Report Form 11000-3.¹ A concise justification is furnished to support the request for each item. The use of justification statements such as "increased work load," "additional requirements," and to "meet expansion," are considered

¹Chief, Bureau of Aeronautics, Instruction 11000.1, Chapter 1, "General Station Collateral Equipment for Each Fiscal Year; Replacement of and additional Requirements for" (Washington, D. C.: Department of the Navy, March, 1953).

insufficient to warrant BuAer approval of the item and are avoided. This budget estimate, like most of the others, is submitted annually and must be in BuAer not later than May 1.

The general categories of equipment listed on this request for collateral equipment are as follows:

- "1. Office labor-saving equipment.
2. Office furniture and furnishings.
3. Public works shop tools and equipment, including construction equipment items not appearing on a BuAer allowance list.
4. Quarters furnishings.
5. Galley and mess hall equipment.
6. Warehouse equipment except motorized trucks, tractors, etc."¹

Each item listed on the budget request must be identified by stock number and complete nomenclature, such as the listings in the various sections of catalogs of naval material or those of federal supply systems. In case the item is not listed in any of these publications, a complete description and reference to a contractor's catalog is made for identification purposes. The funds requested must be on the basis of a realistic unit price, since funds will be granted in accordance with the cost price submitted. Additional funds to cover the differential between the estimated cost and the actual cost must be absorbed by the reduction of quantities or the elimination of items, within funds granted. The dividing line between this fund and the "A" Allotment operating funds is not always clear. Additional or replacement items having a unit cost of \$500. or less are chargeable to the Allotment "A" funds, the only exception being those

¹Ibid., p. 2.

instances when the additional equipment is required to initially outfit a new office or shop which has been established as a result of an expansion in the station's assigned mission and when the total cost of all the required items is more than \$500. Each report is screened by interested operational commanders with an eye to eliminating all non-essential items and assuring that items requested are adequate as well as necessary to support the activities' planned mission.

The general purpose of this budget request is to furnish the Bureau of Aeronautics with information, on an annual basis, regarding the fiscal year requirements for general station collateral equipment at activities under the management control of the Bureau. This information is used to determine the appropriate apportionment to each activity of such funds as are made available to the Bureau of Aeronautics for financing station general collateral equipment required for replacement and expansion, during each fiscal year.

Another separate budget area is that for major repair and minor construction projects.¹ The Public Works officer prepares this estimate as the responsibility for performing

¹Chief, Bureau of Aeronautics, Instruction 11014.1A, "Annual Public Works Maintenance and Repair Report" (Washington, D. C.: Department of the Navy, August, 1955).

such work is usually assigned to him. This estimate is submitted to the Bureau of Aeronautics via the appropriate District and Naval Air Base Commander. Copies of all Marine Corps Air Station Maintenance and Repair Requests are sent to the Chief of Naval Operations (OP-52).

The Public Works Maintenance and Repair Project Request, commonly referred to as the M & R Report, provides the Chief of the Bureau of Aeronautics with information concerning requirements for major repairs and major improvements within the Naval Aeronautical shore establishment. It is imperative that M & R Reports be complete, detailed and accurate to insure proper scheduling and planning of major repair and improvement work. This information is used to formulate a realistic major repair and improvement program for the forthcoming fiscal year within the available funds under the Bureau of Aeronautics fiscal program, "Structural Repairs." Also, to formulate a tentative program for the next succeeding fiscal year to support the "Structural Repairs" budget estimate submitted for congressional approval.

The M & R budget estimate is composed of two parts. The first part contains a listing of all projects in the order of importance which is submitted on a four-column format. This format includes such information as station priority number, station identification number, project title, and the estimated cost. The second part is a separate project

description sheet for each project listed on the format and assembled in the order of station priority. Each project is a complete and self-contained request, including location drawings, construction schematics, photographs, and other graphic or written supporting data. A project requires only one submission, as projects not financed on initial submission will be carried over for consideration in succeeding fiscal years unless cancelled by the command or station. These projects need only be included on the priority listing in subsequent reports and amended for changes in scope or estimated cost. The M & R Report is submitted once each year, but may be amended as new or unforeseen requirements occur during the year. The integrated priority list must reach the Bureau of Aeronautics by April 15th of each year. A revised priority list which reflects all changes as of October 15th must reach the Bureau by November 15th each year. When a project not included in the original estimate is submitted for approval, it must be assigned a priority number to indicate its relative importance to all others on the current list with full justification as to precedence over projects previously submitted and the reason why the project was not included on the annual list. Detailed instruction concerning the method of submitting requests for approval of Public Works maintenance and repair projects to be financed by funds under the administrative control of the Bureau of

Aeronautics may be found in BuAer Instruction 7820.12A of 26 March 1956 and BuAer Instruction 11014.1A of 25 August 1955.

The program for major military construction is another individual budget area. This program is referred to as the shore station development plan. Instructions covering this plan are issued by the Chief of Naval Operations and provide the background for development of an orderly and continuing construction program to permit accomplishment of the station mission under both peace time and war time conditions.¹

The Public Works officer usually prepares the initial estimate on the major projects. These estimates are based on the planning developed by the station development board. Activities under a Commander, Marine Air Bases, submit their program to the air base commander's station development board for consolidation into Marine Corps Air Base Command program. These programs and those originated by other Marine Corps aviation activities under the military control of the Commandant, Marine Corps, are submitted directly to Marine Corps Headquarters for review and transmittal to the Sponsor, the Bureau of Aeronautics, via the Chief of Naval Operations Shore Station Development Board. Advance copies of these

¹Chief, Naval Operations, OPNAV Instructions 1101.2A, "Shore Station Development Programs; Instruction Regarding Preparation of Submission" (Washington, D. C.: Department of the Navy, October, 1954).

programs are sent directly to the Bureau of Aeronautics and to each Naval District or River Command within whose area the activity is located. Other Marine Air Stations which are under the military control of a Naval District or River Command submit their programs to the Command Shore Station Development Board for consolidation into an over-all District or River Command program. Copies of these programs are sent to the Commandant of the Marine Corps but are not included in the programs submitted by him. The individual programs from the Air Base Commands, District and River Commands, are further submitted to their sponsor, Bureau of Aeronautics, for further submission to the Chief of Naval Operations Shore Station Development Board. At this point the plans are consolidated into an over-all or Navy-wide Shore Station Development plan. As a matter of interest, the CNO SSDB is provided with associate members representing each of thirteen sponsoring activities. The air station plan generally is reviewed by the Bureau of Yards and Docks as to engineering criteria and by the Bureau of Aeronautics as to operational features. These projects are financed by a separate appropriation, "Military Construction, Navy," which is administered by the Bureau of Yards and Docks. The estimate for funds on major military construction does not include allowance for military pay and the cost of technical materials which are available within the naval aviation supply system.

In summary, each Station Development Board prepares an annual program for development of its station. All projects in these programs are shown on the master plan for development of the station, in support of its peace time and war time mission as delineated by higher directives. Pending their final review and approval, the master plan approved by the cognizant commands is the basis for development of each station. Projects comprising each program are arranged in order of priority, together with the required supporting data, and forwarded through the appropriate chain of command to Chief of Naval Operations, Shore Station Development Board, for consolidation into the over-all Navy-wide military construction program. It is noted that this estimate or request is required to reach the Chief of Naval Operations, Shore Station Development, seventeen months prior to the beginning of the fiscal year for which the program is proposed.¹ If the time required to forward this report through the chain of command and time for preparation of the original document were added to the above requirement of lead time, it is highly conceivable that many of the original estimates are entirely useless and out of date.

This planning and budgeting process constitutes the budget formulation stage of the budget cycle at the Marine Corps Air Station. Submission of dollar planning estimates

¹Ibid., p. 2.

is complicated because of the number of them required. Various functions which constitute a station program must be included in different budget documents, and this requires a high degree of correlation of requests to prevent omissions or duplications. The budgetary process is complex not only in Washington but also at air stations in California.

CHAPTER II

ADMINISTRATIVE CONTROL OF FUNDS

The Commanding Officer of a Marine Corps Air Station, by virtue of his office, is personally responsible for the proper and effective use of the funds allotted to him and is legally responsible for adequately controlling the funds so allotted. This command responsibility requires that continued personal attention be given to:

a. Authorizing under each allotment and project order only those obligations and expenditures properly allocable thereto in accordance with its provisions.

b. Restricting all charges to the lowest level compatible with economical and efficient accomplishment of the work or operations covered by the authorization concerned.

c. Completing all work or operations and clearing all charges covered by the authorization prior to the expiration thereof.

d. Controlling issues and use of technical aeronautical material from the Appropriation Purchases Account to the end that full, efficient and economical utilization of all government property is achieved.

e. Preventing over-obligation and over-expenditure of the amount authorized.

f. Reporting promptly to the Bureau of Aeronautics any excess or shortage of funds under an aviation allotment or project order as soon as it becomes apparent that the amount authorized is not in balance with the operations or work to be accomplished thereunder.¹

¹Chief, Bureau of Aeronautics, Instruction 7000.2, "Command Responsibility for Administrative Control of Appropriations" (Washington, D. C.: Department of the Navy, September, 1954).

The administrative control of funds, or budgetary control, is basically established through the allocation of the responsibility for allotment administration, or subdivisions thereof, to individual officers and department heads. These administrators are held personally responsible to the commanding officer for the proper use of such funds.

Aviation allotments for Marine Corps air stations are granted primarily by the Bureau of Aeronautics to finance routine maintenance and operating cost and, where specifically authorized, special local procurement.¹ These allotments are identified for administrative purposes as: Series A - General Station Allotment, Series B - Aircraft Operations Allotment, Series C - Aircraft Overhaul Allotment, Series D - Special Purposes Allotment, and Series E - Research and Development Allotment.

Basically, allotments from the Bureau of Aeronautics appropriations are limited to requirements of the fiscal year for which the allotment is granted. That is, only those expenses incurred during the current year may be legally charged against the allotment. All Bureau allotments to the station activities, with the exception of the Series D Special Purposes Allotment, are granted in quarterly installments. Each allotment becomes available for obligation or expenditure on the first day of the quarter for

¹Chief, Bureau of Aeronautics, Instruction 7300.2, "Availability of Bureau of Aeronautics Allotments for Obligation and Expenditure Purposes" (Washington, D. C.: Department of the Navy, June, 1953).

which granted, but the unobligated and unexpended balances at the end of a quarter carry forward from quarter to quarter within the fiscal year and are added to the amount of the new quarterly allotment to determine the totals available for the subsequent quarter. All Bureau allotments to the stations, except the Series D Special Purpose Allotment, expire for obligation purposes not later than the end of the fiscal year for which granted, but continue available until the assigned completion date for payment of obligations properly incurred and for routine obligation adjustment.

An allotment completion date is established for each aviation allotment and is intended to allow time for the delivery of material ordered or completion of commercial services procured, the payment of obligations properly incurred, and the final reporting of expenditures. No changes may be made to a Bureau of Aeronautics allotment subsequent to its completion date without the approval of the Bureau, whether for liquidation of an obligation properly incurred under the allotment prior to completion date or for any other purpose. The completion date for the Series A, B, C and E Allotments is established automatically, and for the Series D Special Purpose Allotment it is established individually. The Series A, B, C, and E Allotments continue available for expenditure purposes until the last day of the second quarter of the fiscal year following the one for which

it was granted. However, in the case of the Series D Special Purpose Allotment, individually assigned completion dates for expenditure purposes are established with respect to the specific project or projects for which the allotment was granted.

This shows in a general way the limitations placed on the station commander as to the time element in obligating and expending the funds allocated to him from the Bureau of Aeronautics.

Now in order is a general discussion of the complex manner in which these funds are sub-allocated and generally for what materials and services they can be obligated and expended.

The Series A General Station Allotment is used for routine maintenance and operations of station under the management and financial control of the Bureau of Aeronautics. The major charge against the Series A Allotment is for salaries of per diem and per annum civilian employees engaged in routine maintenance and operations of the station. There are three major categories of civilian personnel at Marine Corps Air Stations whose salaries are chargeable to aviation appropriations. These categories are the overhaul and repair (Series C), station operations and maintenance (Series A), and research and development personnel (Series E).

Salaries, including leave and holidays, of per annum employees engaged in routine station maintenance and operations or when engaged in work associated with naval aviation projects, orders, and Series D Allotments, are charged to the general station Series A Allotment.¹ However, in the case of the per diem employees, only that portion of the salary applicable for leave and holiday pay is charged to the general station Series A Allotment when they are employed on aviation projects orders financed by Series D Allotment.

In general, the Series A Allotment funds are allocated to department heads on a quarterly basis. The amount of the funds to be allocated to the various departments is determined substantially in the same manner as developed during the budget estimating process; that is, the station planning and budget board plays a dominant role in the final allocation of funds. For administrative purposes, the Series A Allotment is usually subdivided into three or four control areas, such as per annum labor, per diem labor, material, and areas of special interest such as military and civilian travel.²

The general scope of the Series B Aircraft Operations Allotment is limited to charges for material required due to actual flight of the aircraft, plus material directly identifiable with keeping the planes in a flyable condition.

¹Chief, Bureau of Aeronautics, Instruction 7820.6, "Salaries of Per Diem and Per Annum Employees" (Washington, D.C.: Department of the Navy, June, 1954).

²Chief, Bureau of Aeronautics, Instruction 7820.4A, "Administration of Military and Civilian Travel" (Washington, D.C.: Department of the Navy, October, 1954).

These allotments are issued by the Bureau of Aeronautics to the Commanding Officers of each station and squadron to finance appropriate charges incurred directly by Marine Corps Aircraft. The Series B Allotment covers primarily issues of aviation fuel, aviation lubricants and non-technical supplies from the Navy Stock Account (NSA) but also may finance charges for locally authorized and initiated purchases of items from commercial sources and non-aviation materials and supplies issued from the appropriation purchases account (APA) on a reimbursable basis. A detailed description of the charges financed by the Series B Allotments is contained in Enclosure 1 to Bureau of Aeronautics Instruction 7303.3 of 3 July 1953.¹

The Aircraft Overhaul Allotment, Series C, accumulates the charges for civilian labor, locally purchased supplies, and Navy stock account material issues required in the overhaul of aircraft, engines, and aeronautical equipment, or for other related work performed in major overhaul and repair facilities. The Series C Allotment is essentially the same type of allotment as the Series A. The major charges against this fund are the salaries of the per annum and per diem civilian employees of the overhaul and repair facility. As in the case of the Series A Allotment, the per diem and per annum employees' salaries are charged to the Series C

¹Chief, Bureau of Aeronautics, Instruction 7303.3, "Administration of Aviation Allotments for the Operation of Navy and Marine Corps Aircraft" (Washington, D. C.: Department of the Navy, July, 1953).

Allotment except when per diem employees are assigned to a project financed by a Series D Allotment. In this instance, the per diem employee salaries are charged to the Series D Allotment except for leave and holiday pay, which is charged to the Series C Allotment. The importance of this allotment for purposes of this paper is minor, since the Marine Corps has only one overhaul and repair facility.

The other aviation programs, which include industrial shop equipment, general station collateral equipment, and major repairs and minor construction projects, are each financed under multiple allotments or project orders, normally referred to as the Special Purpose Series D Allotment. A separate allotment may be received for each job or project to be performed under these three programs. However, as a general rule, each budget program or project receives one allotment to finance several jobs.

Limitations on the use of funds allotted for purchase of industrial shop equipment are delineated by the Bureau of Aeronautics.¹ The initial and replacement requirements for general purposes plant account shop and test equipment, including acquisition and installation cost, are chargeable to the Series D Allotment. However, the procurement of non-plant account shop and test equipment and single purpose equipment is charged to the Series C Allotment. To stress the complexity of this allotment system, it should be noted that the installation charges for non-plant account equipment if in excess

¹Chief, Bureau of Aeronautics, Instruction 11010.4A, op.cit., Enclosure 1, p. 2.

of \$200. is chargeable to a special Series D Allotment. Repairs to general purpose shop and test equipment in excess of \$5,000., which includes the cost for rework and reinstallation as well as NSA, APA, locally procured materials and civilian and military labor, are also chargeable to the Special Series D Allotment. As in the case of initial and replacement of plant account equipment under certain conditions all or part of this expense would be chargeable to either the overhaul Series C Allotment or the station operations and maintenance Allotment A.¹

General station collateral equipment is also financed by a special purpose Series D Allotment. These funds may be obligated only for items listed on the budgeting and funding collateral equipment requirement reports which were submitted as estimates one and two years previously. In event that an urgent requirement arises during this period which has not been budgeted and funded for, a special request may be submitted to the Bureau of Aeronautics for funds to accomplish the requirement. However, in this case some other funded item or portions of several items must be dropped from the schedule. The categories of equipment and services for which this allotment may be charged were generally enumerated in Chapter II on budgeting. However, the same problem of

¹Chief, Bureau of Aeronautics, Instruction 11010.4A, op. cit., Enclosure 2, p. 2.

determining the proper charges which should be made to the allotment are ever present. There is not only a limitation on the cost of an item, but also a restriction as to class of material which may be charged to this appropriation. The latter restriction arises primarily from the existence of different methods in funding for the various types of material such as the NSA and APA material. Since this allotment is used to finance the requirements of the supported Air Fleet Marine Force units based on the station, additional care is required to keep from obligating the funds for equipment or services not properly chargeable to the allotment. The Series A Allotment is not made to the operating units except in special instances;¹ therefore, the operating units have a tendency to make erroneous charges to this fund.

The third area which is funded by a Bureau of Aeronautics Special Purpose Series D Allotment is the major repair and minor construction projects.² This allotment, like all the others, is primarily controlled by the Bureau of Aeronautics through the issuance of instructions delineating the purpose for which the funds may be obligated and expended.³

¹Chief, Bureau of Aeronautics, Instruction 7110.1, "Special Allotment Table for Fleet Marine Aviation Units; Cancellation of" (Washington, D. C.: Department of the Navy, June, 1955).

²Chief, Bureau of Aeronautics, Instruction 7300.2, op. cit., p. 2.

³Chief, Bureau of Aeronautics, Instruction 7820.12A, "Method of Financing Public Works Maintenance, Repair and Improvement Projects under Funds Granted to Aviation Stations by the Bureau of Aeronautics" (Washington, D. C.: Department of the Navy, 26 March 1956).

The projects included in this program are major repairs costing in excess of \$5,000., excluding APA and salvage materials valued at current market prices and military labor based on wage scales of comparable civilian trades and skills; also, major improvements projects, costing in excess of \$2,000. but less than \$25,000., including APA and salvage materials at current market prices and military labor based on wage scales of comparable civilian trades and skills. There are also restrictions placed on this type allotment by higher authority, one of which is the method of accomplishment of the requested project.

The major military construction projects, normally referred to as shore station development projects, are financed by a separate appropriation (Military Construction, Navy), and are usually administered by the District Public Works officer under contracts let with commercial firms. The Bureau of Yards and Docks maintains cognizance over all such projects.

To summarize, the commanding officer by virtue of his office is responsible for the proper and effective use of the funds provided. Each allotment or project order issued by the Chief of the Bureau of Aeronautics represents a delegation of his authority to the officer in command to obligate funds within the limits defined in the authorization.

It is the specific responsibility of the commanding officer to so administer funds allotted that only obligations and expenditures incurred during the specified time limit are charged to the allotment or project order and that the total amounts are not exceeded. The commanding officer may delegate the administration of the allotted funds or project orders to subordinates within his command. However, this in no way relieves him of his responsibility to the Chief of the Bureau of Aeronautics.

Allotments are granted to a Marine Corps air station generally speaking to finance five basic programs: general station maintenance and operations, aircraft flight operations, aircraft overhaul, research and development, industrial shop equipment, general station collateral equipment, and major repairs and minor construction. Major construction projects are financed through a separate appropriation, Military Construction Navy, and usually handled by the district public works officer.

Military pay and allowances for Marine personnel are not subject to budgetary control or funding at station level, as such expenditures are controlled centrally by Headquarters, Marine Corps. The station is authorized to make charges to an open allotment administered by Headquarters, Marine Corps.

It is apparent that even though the commanding officer is charged with responsibility of proper and effective use of the funds provided, he has very little flexibility in the employment of such funds. Between the sometimes incomprehensible maze of instruction from higher authority delineating how the funds should be employed and the two-year lead time required from the original budget request until the receipt of funds, it is surprising that the stations are able to manage as well as they do.

It appears that the administrative control of funds on a Marine air station is a complex audit and bookkeeping process and will remain so until the station commander is allowed to submit an over-all station program and in return receive a single allotment to support his program at the desired level required by higher authority.

The following chapter will discuss, in general terms, the accounting procedures.

CHAPTER III

ACCOUNTING

In the preceding chapter, the administrative control of funds allotted to a Marine Corps Air Station was discussed. Basically, the commanding officer of the station must depend heavily on the fiscal accounting system to administer these funds effectively. Through the use of the accounting system he is able to obtain a timely and precise review of the status of funds committed (reserved), obligated, and expended (cash disbursement).

The Navy accounting system, generally speaking, is on an expenditure or cash disbursement basis. The cash disbursements or expenditure charges at the station level are distributed to variously classified expenditure accounts. //The classification of expenditures in the Navy Department consists essentially of classification by Congressional appropriation, by Bureau of the Budget object class, and by the Navy expenditure account. In addition to these primary classifications each bureau and station has secondary classifications, each of which is for some specific purpose of major importance to the organization in the administration of the funds appropriated for its use.

The allotment for station operations and maintenance, as indicated in the previous chapter, is referred to as the series A Allotment. Due to the wide varieties of station activities and functions, this allotment finances the expenditure for various types of material and services. The expenditures or charges against this fund are normally made to the Navy Expenditure Accounts in the 40,000 Series. Through the manipulation of the last four digits within this series, the various expenditure areas can be identified.¹ The actual job order, which is the written authority to accomplish certain work, specifies the expenditure account to be charged at the station level. Expenditures under these accounts or job orders are closed each month to the proper allotment and thus may be classified by appropriation. The information required by the Bureau of the Budget on object class is accumulated at station level by reclassifying into the respective object classes the same documents used for expenditure account purposes. Summary reports are then submitted.

Another mechanism for controlling expenditures at station level is the project order which is normally issued to support the programs for plant equipment and plant improvement requirement, general station collateral equipment

¹Chief, Bureau of Supplies and Accounts, Bureau of Supplies and Accounts Manual (Washington, D. C.: Department of the Navy, 1955), Article 501-2(a).

requirements, and the annual public works repair and maintenance requirement. These project orders are handled in the same general fashion as the Series A Allotment. Expenditures assigned to a job order are closed to the proper project order, and in turn to the appropriation at the end of each month and reported to the Bureau of Aeronautics using the same forms used to report allotment expenditures. Expenditures under the project order are also classified by object, purpose or expenditure account, labor and material or services and reported to the Bureau monthly. Expenditures for the civilian payroll are made by the disbursing officer of the activity who is an associate to the Navy Regional Accounts Office of the district in which the activity is located. The collection of this information is accomplished very much in the same manner as employed in commercial industry. Labor time is distributed to each job order by time clerks or supervisors and reported to the accounting department on job sheets or time sheets. These labor time reports and applicable labor rates are used to compute the cost by job order for the time period covered by the time reports. Material costs are obtained by summarizing the material requisitions submitted for each job order to the storehouse upon which issues were made. The material and labor costs are posted to the job order ledger account and thus summarized by allotment or project order, appropriation

and expenditure account.

In the event that overhead costs are to be distributed to the job order, standard commercial practices are followed to collect the overhead costs by department or overhead cost centers and applied to the job order as factory overhead.

The actual expenditure or disbursement of funds for material is accomplished by the Navy Regional Accounts Office according to prepared public vouchers which also delineate the proper object class, appropriation and expenditure account. The actual expenditure on the books of the activity is accomplished after a copy of the paid public voucher is transmitted by the Regional Accounts Office and appropriately matched against the obligation.

In the accounting process as pictured above, the obligation, expenditure, and consumption of the material is simultaneous with the exception of lump sum and leave payments for labor and the commercial purchase of technical materials requiring long lead time for procurement.

However, this is not always the case. Sometimes material is purchased and recorded as an expenditure (and a cost) in one year but such material is not actually consumed until later. The expenditure records in such cases reflect costs of materials as being applicable only to that current year while in fact the costs are actually being incurred

during several years following. An example of this situation would be the purchase of certain types of technical materials which are placed in the technical appropriation purchases account inventory during one appropriation period and not used until some time later. When this material was ordered and a contract signed, it became an obligation; on receipt of material an expenditure was made. However, the material may not be consumed for several years. Thus expenditure and consumption do not coincide. This is only a matter of degree because, in most instances at station level, the incurrence of the obligation and disbursement of funds is simultaneous with the receipt and consumption or use of materials and services. The use of the Navy Stock Fund, which finances procurement of all common items of material, plays a large part in making this possible. The Navy Stock Fund provides large quantities of material inventories ready for issue; and when the materials are ordered from the stock fund the obligation, expenditure, and consumption are, for all practical purposes, simultaneous. As indicated before, obligation and expenditure for labor are also simultaneous with use except for lump sum leave payments.

As mentioned above, the major exception of applying the actual expenditure or cost to the appropriation during the period in which it was incurred is in connection with the local purchases of technical materials and the technical

materials obtained from the appropriation purchase account (APA) stores. Since all purchases made locally are not immediately consumed, the applied costs do not coincide with the obligations and disbursements against allotments. Some local purchases require relatively long procurement lead time between the placement of orders or signing of contracts and the delivery of the item. This lag between orders and delivery causes a similar lag in disbursements after obligations are incurred, as well as a lag in disbursements after the item has been received.

The technical (APA) material procurement has similar delays. Technical (APA) material is procured centrally by the Bureau of Aeronautics and is stocked by Navy supply activities. However, the material inventory is carried in the Navy Appropriation Purchases Account and is accounted for separately from the NSA materials. Upon issue from any of these stores accounts (APA) for use directly in the support and upkeep of aircraft, a statistical cost charge only is made against the using activities' (BuAer) appropriation. No formal appropriation charge is made and no station allotment is involved. In this case, the consumption and use are not simultaneous, as there is no charge against the using activity, and further, the part or item may have been purchased out of funds from a preceding year's appropriation for APA material.

As explained earlier, a local chart of accounts is established to meet the various operating needs of the station as well as to meet the reporting requirements delineated by higher authority. These accounts are generally established along organizational lines and are normally referred to as job orders. They are further sub-classified by expense classification or other areas of special interest. All job order systems used by the station are necessarily integrated into the over-all Navy accounting system. These systems represent basic collection points of accounting data where expenditures are recorded by congressional appropriation, by object class (BuBud) and by expenditure account (BuAer).

The responsibility of collection, recording and reporting the data for the various accounts and sub-accounts is delegated to the fiscal officer. Under the past organizational arrangement the supply and fiscal function were included in one department. However, as of June, 1954, those stations supporting an aircraft overhaul facility were directed to separate the accounting and supply function.¹ While the fiscal department will be responsible for station appropriation, cost, stores, and plant accounting, the supply

¹Chief, Bureau of Aeronautics, Instruction 5451.11A, "Establishment of Comptroller Organization and Functions at Naval Aeronautical Shore Activities" (Washington, D. C.: Department of the Navy, April, 1954).

department will continue to be responsible for stock records, controlling of allotments for procurement of inventories, Navy stock fund allotments, and for preparation of dollar supply management report and class cognizance reports.

Allotment accounts, which are also identified by the job order account structure, are usually established along the organizational lines of responsibility. The detailed allotment records provide for segregation of commitments (reservations), obligations, expenditures, and available balances. The expenditures are further subdivided into civilian labor, common (NSA) materials, local purchases, and overhead. The expenditure and cost accounts are considered subsidiary to the allotment account. Civilian payroll accounting is integrated with the employee accounts and service records. The distribution of labor cost is performed as an integrated function of payroll preparation.

Accounting for capital equipment and improvements is in accordance with established procedures for Navy-wide use. An individual Plant Account card is maintained for each item of capital equipment. The card contains a description and the acquisition cost, the totals of which are posted to a capital assets account.

In general, the internal controls over financial transactions are adequate since organizational responsibilities

are properly divided so that appropriate checks and balances are automatically produced. One of the internal controls used as a check and balance is the civilian labor distribution cost, which must agree with the gross cost of the civil payroll. The Analysis of the Labor Roll Summary (S & A Form 885) must also agree with the Labor Roll Summary (S & A Form 184).¹ Another example of internal controls is the cost of common materials by Expenditure Account (S & A Form 870), which must agree with the Summary of Materials Issued by Appropriation Charges (S & A Form 70) which becomes the accounting document used for recording official appropriations in the Navy general ledger.² Inventories are classified by Account (APA & NSA) and Cognizance Symbols. Issues reported on balance sheets must agree with the expenditures noted above while the total of all cognizance symbols must equal the total inventory on hand. Checks are made periodically to insure agreement of stock card records with physical count. Stock card records are also checked with dollar control accounts.

The above indicates that the Navy accounting system is developed along organizational lines, and the three basic methods of identification are by Congressional appropriations,

¹Office of the Comptroller, Navy Comptroller Manual Volume III (Washington, D. C.: Department of the Navy, 1952), paragraph 033917-3(h).

²Ibid., paragraph 034912-2(c).

Navy expenditure account, and the Bureau of the Budget object class. The accounting system at the station level is primarily on a cash disbursement or expenditure basis. Since the bulk of the transactions are for wages and materials drawn from the Navy stock fund, the obligation, expenditure and consumption take place simultaneously. However, there are occasions when the obligation, expenditure and consumption time periods do not coincide with the appropriations time period. These two exceptions occur in the local purchase of technical materials, which require long lead time, and when technical material is withdrawn from the Appropriations Purchase Account which is financed from appropriated funds centrally controlled by the Bureau of Aeronautics. There is no charge to the station allotments for this material.

The chart of accounts at station level is usually established through the station job order system which controls the expenditures of labor, materials, and overhead to specific expenditure accounts.

The allotment records provide for segregation of commitments, obligations, expenditures, and the available balances. The expenditures are further subdivided into civilian labor cost, common (NSA) materials cost, local purchases and overhead, and the expenditure and cost accounts are subsidiary to the allotment accounts. The system of

distributing costs is similar to that of many industrial organizations.

Controlling accounts are maintained for such things as capital equipment and inventories.

Internal controls are adequate over financial transactions and follow the general practices of dividing organizational responsibilities so that appropriate checks and balances are automatically produced.

CHAPTER IV

REPORTING AND AUDITING

Air Station financial management, as it pertains to budgeting, administrative control of funds, and accounting, has been reviewed. This chapter will be devoted to a generalized examination of some of the various reports which are generated by the management cycle. Generally speaking, the station financial management reports can be classified into four general categories: budget reports, fiscal reports, unit cost reports, and work measurement reports.

In budgeting for the station operating programs (Allotment Series A, B, C, and E) the Bureau of Aeronautics form NAVAER 3036A, "Summary of Allotment Requirements," is used. This form summarizes each of the Series A, B, C, and E Allotments for the current period and estimates requirements for the budget period. The current period summary is further subdivided into actual and estimated amounts for civilian labor and for materials and services. The estimated requirements for the forthcoming budget period also delineate the labor and materials and services needs by quarters. With this summarized budget report, several supporting documents, such as the supporting data for Series B Aircraft Operations Allotment (NAVAER 2992), are included.

The supporting data for the Series B Aircraft Operations Allotment report classifies the current and budget period cost by aircraft model, average number of operating aircraft, utilization, flight hour accomplishment, average cost per flight hour, and total cost. It should be noted that virtually the same information is also required on the Aircraft Operating Cost Report submitted to the Bureau of Aeronautics monthly.¹

Within the area of budget request or estimates are two other reports previously mentioned in the chapter on budgeting. These are the budgeting and funding (NAVAER 2520) for plant equipment and improvements, and the Public Works Maintenance and Repair Report (BuAer Report 11014-1). Both reports contain similar information, as was explained in budgeting procedure.

Under the category of fiscal reports, there are Status of Allotments (NAVEXOS Form 3443), Aviation Allotment Statement, and Status of Project Orders (DD Form 412).

The Status of Allotments (Form 3443) is a Navy-wide required report.² It is a monthly summary of funds available and obligations incurred under an allotment. It is used to

¹Chief, Bureau of Aeronautics, Instruction 7310.4, "Accumulation and Reporting of Aircraft Operating Cost" (Washington, D.C.: Department of the Navy, May, 1955).

²Office of the Comptroller, Navy Comptrollers Manual, op. cit., pp. 2-28.

show progress of the plan in terms of dollars. There is nothing in the report to indicate how far the actual plan has been carried out. To explain further, there is no measure of actual work accomplished to money expended. However, the report does indicate the rate at which the funds are being obligated to carry out the plans in relation to the funds made available for those plans. Deviations from the planned rate of obligation in terms of dollars are analyzed and become the basis for corrective action by the commanding officer. This report is used by the Bureau of Aeronautics as an official source document for summarizing all station allotment obligations and posting to the bureau official appropriation account.

The Aviation Allotment Statement or report is prepared in conjunction with the Aircraft Operating Cost Report (NavAer Form 2676) and the Status of Allotments Obligation.¹ It presents monthly summary data on expenditures, obligations and funds available under an aviation allotment. It can be considered a subsidiary report to the Status of Allotments (NavAer 3443) in that the gross obligation is broken down to show the amount of expenditures and the amount of outstanding obligations. The aviation allotment statement makes further

¹Chief, Bureau of Aeronautics, Instruction 7303.3, op. cit., p. 3.

subdivision of expenditures between labor, NSA materials, and local purchases. This detailed information is not made available on the Status of Allotments Report (NAVEXOS Form 3443). These data are used by bureau program managers as well as the BuAer Comptroller to review rates of fund utilization and the relationship between manpower, the use of Navy supply system materials, and the volume of local purchases. It also indicates the rapidity at which a station liquidates its obligations or pays its bills.

The Status of Project Order Report (DD Form 412) is similar in nature to the Status of Allotments and the allotment statement previously described. It is a Navy-wide report which presents monthly summary data on expenditures and obligation of funds under each project order. Another report which is used to accomplish the same purpose is the Status of Public Works Construction Projects (NAVDOOPS 1715 rev. 2-55). The Bureau of Aeronautics receives monthly a copy of this report which is actually used as a current status report to check on the annual Public Work Maintenance and Repair Report (BuAer Report 11014-1), mentioned in the discussion on budgeting.

The next area to be covered in reporting is that of unit cost. Unit cost reports in general are the Station Maintenance and Operating Cost Report, Supply Function Cost

Analysis, Aircraft Operating Cost Report, and Industrial Cost Report.

The Station Maintenance and Operating Cost Report (NAVAER 2543) is prepared in conjunction with the Summary of Allotment Requirements (NAVAER 3036A) which was discussed under Budget Reports. This report is presently required but once a year. It consists of a summary of cost data under the Series A Allotment for the various departments and functions of the station and shows unit costs where applicable, such as maintenance cost per square foot of building space and paved areas, unit maintenance cost of automotive vehicles, cost per ton of supplies handled, etc.

The next report under the heading of unit cost is the Supply and Fiscal Function. This report is now being prepared and submitted on a trial basis by selected Naval air stations and is aligned with the Bureau of Aeronautics work measurement program.¹ At the present time, Marine Corps air stations are not required to submit it. The reporting procedure as required by this program is the initial step in a plan to develop a complete integration of fiscal data with work measurement data and is consistent with the

¹Chief, Bureau of Aeronautics, Instruction 7310.5, "Accumulation and Reporting of Station Functional Performance Cost for Work Measurement, Supply and Physical Functions" (Washington, D. C.: Department of the Navy, June, 1955).

over-all trend being developed within the Navy Department and other components of the Department of Defense. The following quotation from the Bureau of Budget Circular No. A-11 for fiscal year 1955 states:

It is important to use work measurement or unit cost in justifying of estimates wherever possible. Although the use of statistics must be tempered by judgment, there is no more readily defended method of justifying the requirements for an accepted program of work than by the judicious use of work measurement or unit cost statistics. . . .

It is anticipated that the other station work measurement functional areas will be brought under periodic cost reporting procedures in the near future.

Another cost report is the Aircraft Operating Cost Report (Series B Allotment). This is a two-part report submitted on NAVAER Form 2676, the first part being a summary statement of cost incurred, outstanding orders, and funds available. The second part is an analysis of the cost incurred, by aircraft model, with related statistical data applicable to the flight operations program. This report provides for the reporting of material cost on an "as used" or applied cost basis and is reviewed from this standpoint and appropriate steps taken to reconcile cost reports with the expenditure or appropriation accounting reports mentioned earlier. These data are used by field commanders and bureau program managers, as well as Bureau of Aeronautics comptrollers,

in the month-to-month management and review of the flight operating program.¹ Unit flight hour costs and gross cost incurred for the program are compared with the budget figures and deviations analyzed as a basis for corrective action. These reports are also used as back-up material for budgets to be submitted to Congress.

The Industrial Cost Report is of major importance to air stations supporting an overhaul and repair facility. This report presents cost and related statistical data applicable to the aircraft overhaul program, such as military and civilian man-hours, associated labor cost in dollars, NSA, APA, and locally procured materials cost by work program. These data are used by the bureau program managers in production or work-load scheduling, fund administration, and budgeting control of the aircraft overhaul program at bureau level.

The final area of financial reporting by the Marine Corps air station is the Work Measurement and Manpower Report. This report is mentioned here and at other times in this study to bring into the picture the fact that manpower reports play a large part in budget analyses and

¹Chief, Bureau of Aeronautics, Instruction 7310.4, op. cit., p. 2.

reviews and are used as back-up data for budget justification as well as for control of manpower distribution. Some of the special Work Measurement and Manpower Reports submitted to meet the needs of the Bureau of Aeronautics are: the Quarterly Work Measurement Report (prepared in three parts); Monthly Summary Report on Military and Civilian Personnel; Monthly Report of Board on Civilian Employment by Appropriation and BuAer Budget Activity; and the Quarterly Work Measurement Summary Report.

The more detailed reports supporting the summary reports comprise the following functions: industrial relations, security, fiscal, supply, public works, and overhaul and repair. While the reports are useful at bureau level in evaluating and controlling over-all performance as well as in programming budgetary requirements, the greatest potential for use exists at the station level in day-to-day management.

To summarize the station financial reporting system, it is evident that there is a need for a summary financial report covering over-all station operations. This report should be an integrated summary of all the elements currently being reported in the many individual fiscal reports, unit cost reports, assets reports and manpower reports. At the present time, there is a study under way which has as its

objective the development of a set of financial reports somewhat similar to a commercial balance sheet and a summary operating statement which will present a picture of over-all station performance.

The last general area to be covered by this study of the financial management cycle is internal auditing. At the present time there is no formal organization established on a Marine Corps Air Station to perform the function of an internal auditing staff. However, numerous audits and inspections are made by outside organizations to insure compliance with standard policies and procedures and to point out procedural improvements. Audits are made by the Navy Comptroller internal auditors, the Navy Inspector General, the Marine Corps Inspector General, the Naval District Supply Office, Bureau of Aeronautics Management Personnel, the General Accounting Office, plus other audits in specialized fields such as the Marine Corps examination of air station exchanges.

The reports made by these auditors or inspectors are submitted to the Bureau of Aeronautics and/or the Commandant of the Marine Corps for review, comment, and approval of appropriate recommendations. The audits, generally speaking, have considerable overlap and duplication. However, there is basically a separation of the audit function into

two areas. For example, the Inspector General for the Navy and Marine Corps is primarily interested in the operational aspect of managing the air station, while the Navy Comptroller Audit Staff is interested in the financial process of collecting, recording, analyzing, and reporting the obligation and expenditure of funds allotted to the station.

CHAPTER V

SUMMARY

Financial management at an air station has become a complex function subject to more influences from outside sources than would perhaps be incident to the operation of a private business of similar size. It would appear that the military organizational philosophy of centralized control of operations in many ways limits the latitude of air station commanding officers in the conduct of their business. In planning operations, for instance, we have seen that no less than five higher echelon agencies provide guidance to the station commander; guidance which is sometimes conflicting. Instead of one or two comprehensive budget requests for capital outlays or operating funds, the station must submit several money requests in different areas and with abnormally detailed justification. An example is the Industrial Shop Equipment and Plant Improvement Budget request which requires not only dollar information but substantive facts regarding installation of the item, nomenclature, stock numbers, etc. To further complicate financial management problems,

accounting information is required in three different classifications: by Congressional appropriation; by Bureau of the Budget object class; and by Navy bureau account divisions. In the reporting field, the station commander cannot prepare a single financial report depicting over-all station performance, but must submit a myriad of individual statements such as fiscal reports, unit cost reports, asset reports, manpower reports, etc. The station also is subject not to one audit of management operations but to as many as five by different agencies. And rules limiting administration of the multiple allotments granted a station commander tend to restrict his freedom of managerial decision.

The establishment of a formal comptrollership function at Marine Corps air stations centralizes both the Navy and Marine Corps fiscal functions, as well as all major financial management tasks, in one staff agency working directly under the commanding officer. This action serves the purpose of putting all the problems in one location on the station but apparently eliminates none of them.

With the exception of the above, no major administrative changes have been made recently which would appear to aid in increasing substantially the effectiveness of air station financial management. Advances have been made through "economy drives," work measurement programs, and the

like, but no outstanding methods have been introduced which would afford commanding officers a means of attaining increased financial management control thereby enabling them to use their individual initiative in carrying out effective programs. The mass of budgeting and accounting detail; the intricate reporting system; and the multifarious restrictions placed on so many allotments: all these things impair the effective implementation of an air station financial program.

The factors of major significance in any consideration of air station financial management are the need for simplification of fiscal procedures and the requirement for more latitude of decision for commanding officers. In recognition of these facts two programs have been offered to increase management effectiveness. The first of these is a proposal to eliminate the practice of granting numerous allotments to stations and to reduce the number of allotments to a minimum. Secondly, industrial funding of Navy and Marine Corps air stations has been suggested.

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